

Louisville Foreclosures

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Mayor's Neighborhood Summit

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Where did they go? The Decline of Middle-Income Neighborhoods

- Middle income neighborhoods declined from 58% of all metro neighborhoods in 1970 to 41% in 2000
- In 2000, 37% of lower-income families lived in middle-income neighborhoods, down from 55% in 1970
- Repeated trend in suburban neighborhood

Foreclosures Since 1996

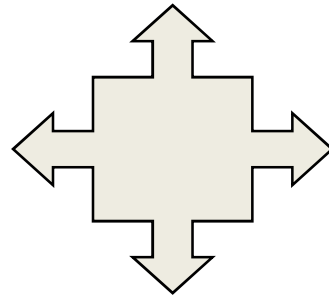


Why the rise in foreclosures?

The National Picture

Rise in Foreclosures

**Dramatic rise
in sub-prime
lending**



**More households
with higher cost
burdens**

**More families have
higher debt and
inadequate savings**

Why Increased Risk?

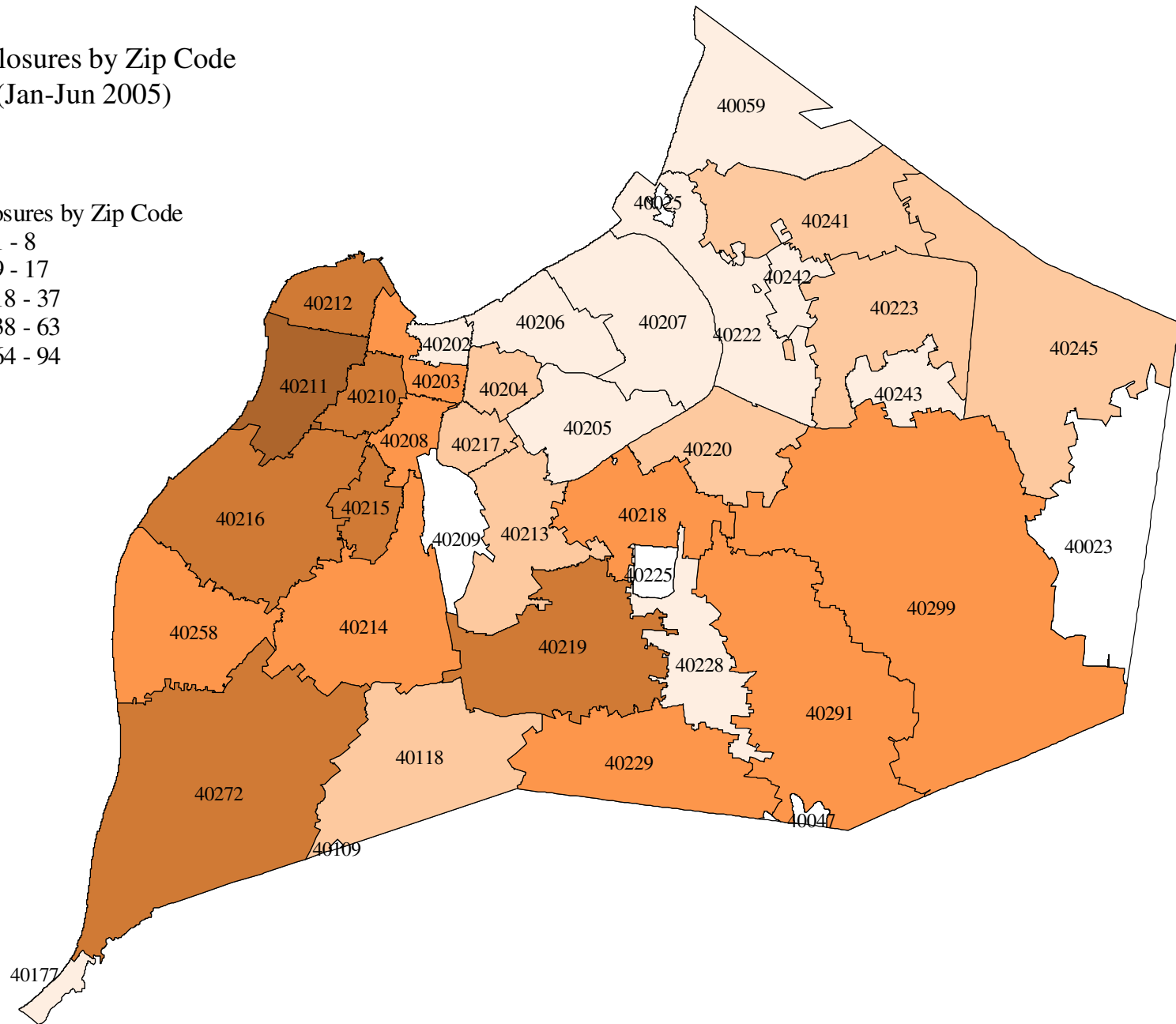
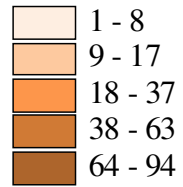
- New products in the last 10 years- Internet mortgages, the bundling of credit risks, lower down payment, new loan products, LTV of over 100%, cash out
- No community experience
- No regulation- predatory lending laws weak
- Focus on fragile neighborhoods

Findings of Louisville Research

- Study in 2005 of foreclosure sales by Community Resource Network, Making Connections and MHC
 - 80% of foreclosures were refinanced loans
 - Over 50% were loans less than 2 years old
 - 78% of loans were less than 4 years old
 - Interest Rate was about 3% higher than prime
 - 25% had pre-payment penalty
 - 5% had balloon payment term

Foreclosures by Zip Code (Jan-Jun 2005)

Foreclosures by Zip Code

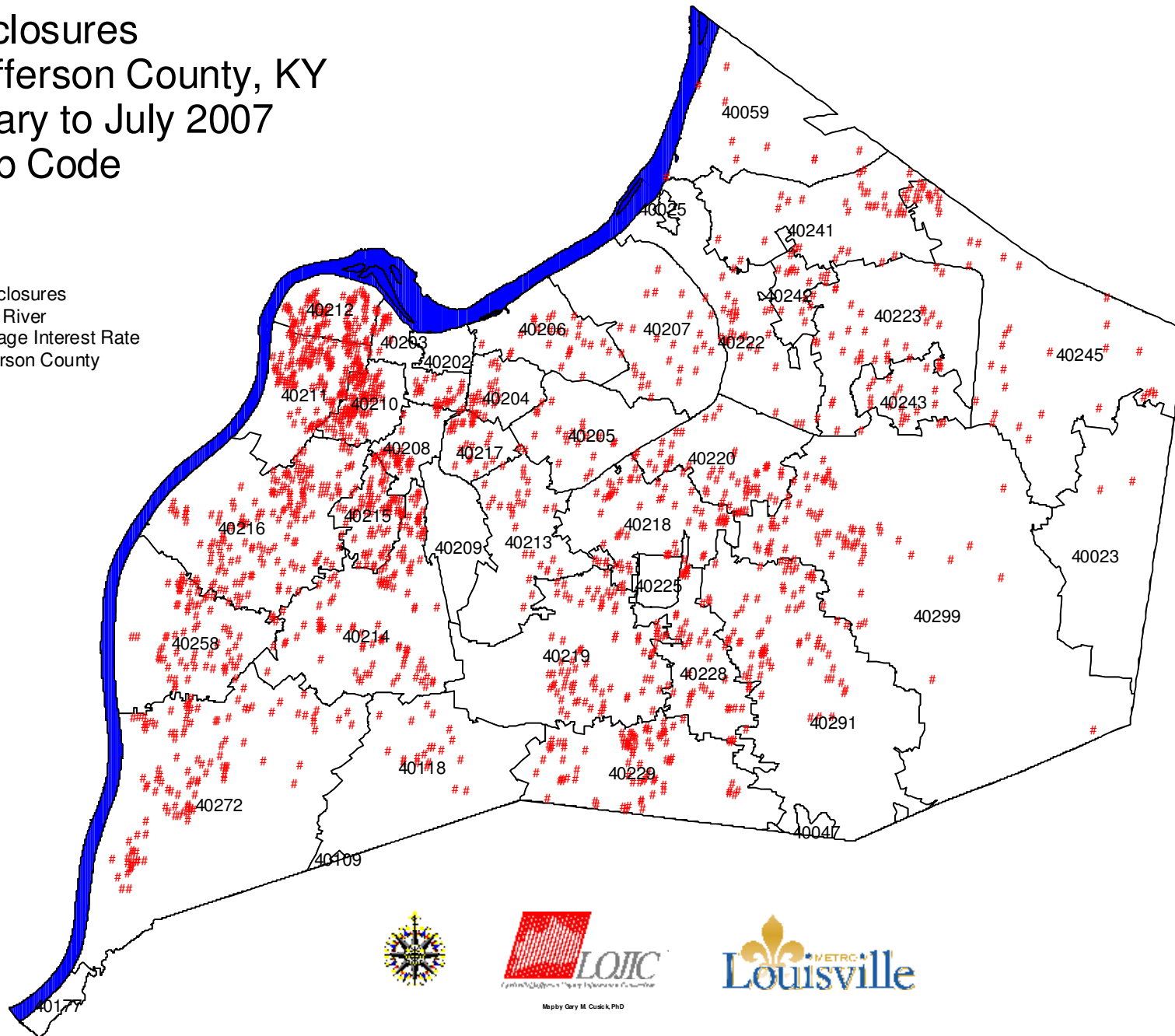


Number of Foreclosures Filed in 2007

- 1,699 unduplicated mortgages foreclosures filed between January 1st and June 30, 2007
- Average of 283 per month

Foreclosures in Jefferson County, KY January to July 2007 by Zip Code

- # Foreclosures
- Ohio River
- Average Interest Rate
- Jefferson County



Map by Gary M. Cusick, PhD

Fixed versus Adjustable Mortgages

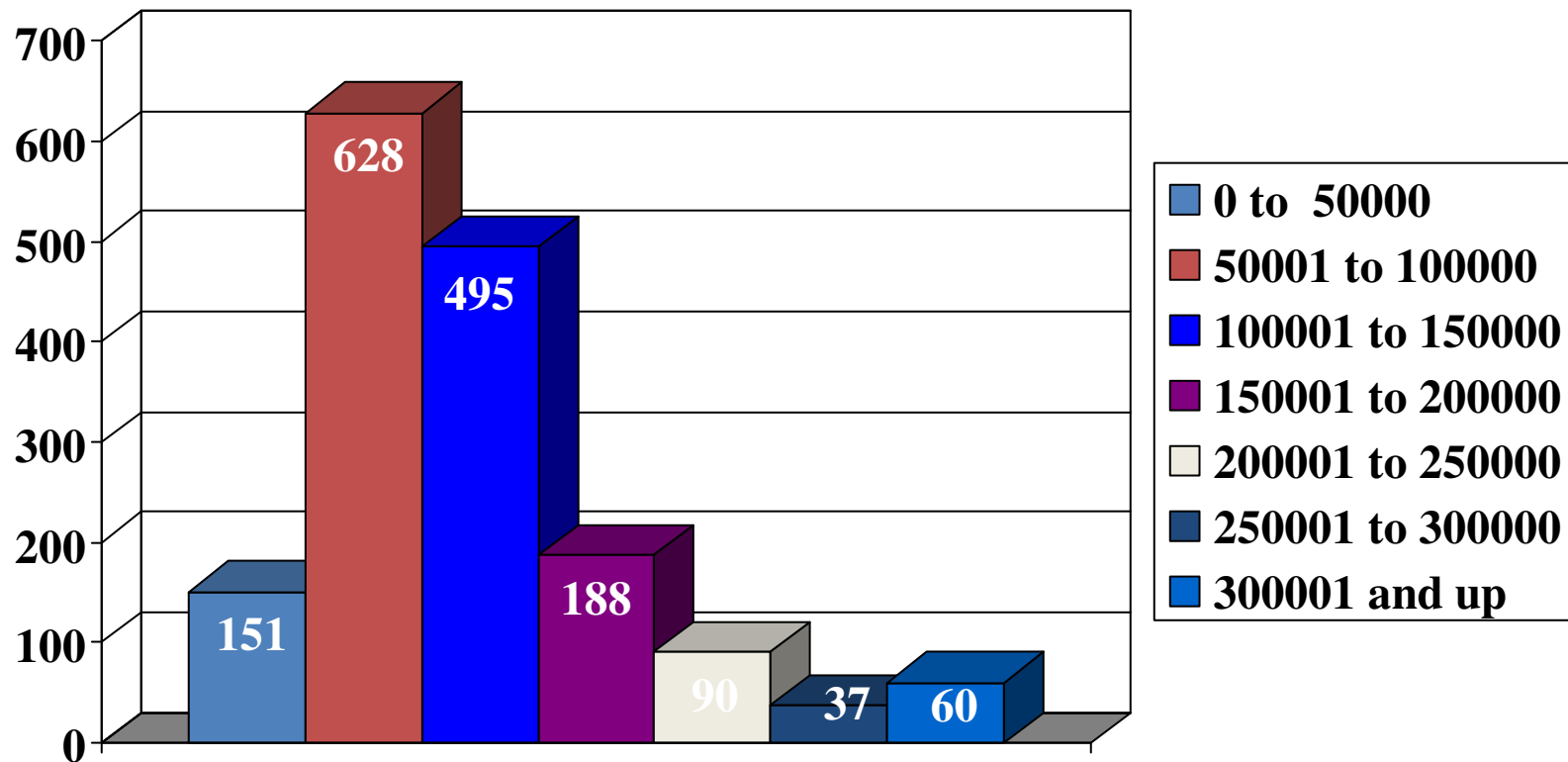
Type of Mortgage	Number of Foreclosures	Average Interest Rate
Fixed	902	7.49%
Adjustable	775	8.65%

Mortgages with and without Prepayment Penalties

Prepayment Penalty	Number of Foreclosures	Average Interest Rate
Yes	645	9.02%
No	1054	7.40%

Property Valuation Assessment

(N=1649)



Louisville Metropolitan
Median Sales Price in
August 2007 - *\$139,300*

1,199 or 70.57% of foreclosures filed
in Jefferson County had PVA
assessment values below this figure.

Mortgage Products used by Survey Participants

- 19 Females, 7 Males, Ages ranged from 30 – 79
- 9 African Americans, 17 White
- 16 had 1st Mortgages Only
- 13 of these had Prepayment Penalties
- Of the 1st Mortgages
 - 13 had Fixed Rate Mortgages - 6 to 9.9%
 - 12 had Adjustable Rate Mortgages – 6.75 to 11.5%
 - 1 had a Balloon Mortgage – 8.95%
- 10 had 2nd Mortgages
- 4 of these had Prepayment Penalties
- Of the 2nd Mortgages
 - 6 had Fixed Rate Mortgages – 6 to 19%
 - 4 had Adjustable Rate Mortgages – 8.75 to 11.75%

Escrow Accounts

- Monthly mortgage payments for 14 of the 26 did not include escrow for insurance premiums and/or property taxes
- Additional monthly payments for insurance and/or property taxes ranged from \$32 to \$125 for insurance to \$19 to \$292 for taxes.
- 4 had homestead exemptions & 4 had disability exemptions

What neighborhoods can do

- When people learned of resources from a trusted person, they used the resource. Neighbors reaching neighbors. A foreclosure is NOT the end, but the beginning of a process.
- Neighborhood plan to market itself, work with city land bank and other ways to get homes to homeowners. Think new ways- public transit, jobs, encouraging diverse housing types. A bill in Congress for \$4 billion for neighborhoods hit by foreclosure.